

The *IFRS for SMEs*

Preparing Georgia's SMEs to apply the IFRS for SMEs

*Michael Wells, Consultant to the World Bank
(formerly Director of the IASB's Education Initiative)*



Introduction

This presentation highlights

- IFRS for SMEs adoption experience
- Georgia IFRS for SMEs Train the Trainer workshop

Good financial reporting made simple

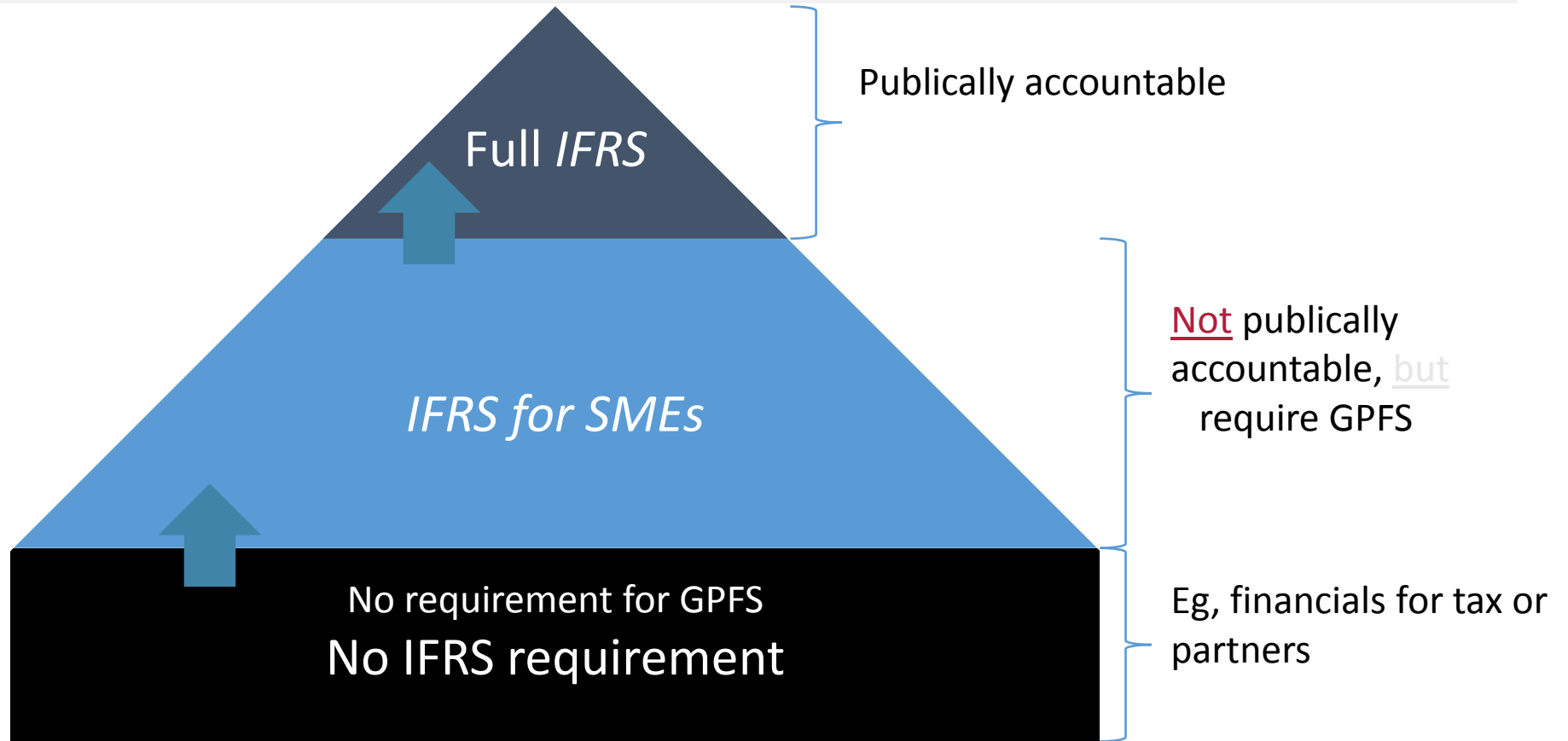
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- +/-250 pages
- Simplified IFRS, but built on an IFRS foundation
- Completely stand-alone
- Designed specifically for SMEs
- Internationally recognised
- Final standard issued July 2009, first amendments published May 2015

Who is eligible to use it?

- Any entity that does not have public accountability...
 - securities not publicly traded
 - not a financial institution
- ... and is required or chooses to produce General Purpose Financial Statements (GPFS)
- However, ultimately a public interest issue
 - decided by parliaments and regulators, not by the IASB
 - there is a public benefit in good financial information about companies

Who is the Standard aimed at?



Is it completely stand-alone?

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- The only 'fallback' to full IFRS is the option to use IAS 39 instead of the recognition and measurement specified in the financial instruments sections of the IFRS for SMEs

How does it differ from full IFRS?

- Tailored for SMEs
 - user needs for information about cash flows, liquidity, and solvency
 - Costs and SME capabilities
- Much smaller
 - +250 pages vs 3,000 in full IFRS
- Organised by topic
- Simplifications from full IFRS

How did the IASB simplify?

- Some topics in full IFRS omitted if irrelevant to SMEs
- Where full IFRS have options, generally include only simpler option
- Recognition and measurement simplifications
- Reduced disclosures
- Simplified drafting

Disclosure simplifications

- Big reduction in disclosures:
 - Full IFRS – more than 3,000 items in the disclosure checklist
 - The IFRS for SMEs – roughly 300 disclosures
- Kept: disclosures about short-term cash flow, liquidity, solvency, measurement uncertainties, accounting policy choices
- Dropped: disaggregations, public capital market disclosures

Why would an SME want to adopt it?

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- Improved access to capital
 - this is the #1 issue with SMEs
- Improved comparability
- Improved quality of reporting as compared to existing national GAAP
 - World Bank ROSC reports
- Less of a burden for SMEs in jurisdictions where full IFRS or similar national GAAP was required

Why would an SME want to adopt it?

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- Other benefits:
 - Implementation Q&As developed by SME Implementation Group
 - Special newsletter for SMEs and auditors using the IFRS for SMEs
 - Textbooks available
 - Software available
 - IASB training materials
 - Commercial training programmes

SME implementation Group (SMEIG)

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- Objective: support international adoption of the IFRS for SMEs and to monitor its implementation
- Main responsibilities:
 - Develop non-mandatory guidance on the IFRS for SMEs in the form of Q&As (see <https://www.ifrs.org/supporting-implementation/supporting-materials-for-the-ifrs-for-smes/sme-qas/>)
 - Make recommendations to the IASB on the need to amend the IFRS for SMEs

Free IFRS Foundation self-study training materials

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- Developed by IFRS Foundation staff
- Multi-level peer review but not IASB approved
- 35 standalone modules (one for each section of the IFRS for SMEs)
 - English (about 10 modules updated for 2015 amendments posted on IASB website but all modules based on 2009 available)
 - Georgian (in translation will be posted on the SARAS website)
- Training material = +2,000 A4 pages
- Self study

Free IFRS Foundation self-study training materials (continued) each module includes...

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- Explanation of the requirements
 - Full text of the requirements
 - 'How to' numerical examples
 - Other explanations
- Discussion of important judgements
- Comparison with full IFRSs
- Test your knowledge – multiple choice quiz
- Apply your knowledge – case studies

Some jurisdictions' decisions: domestic entities that are not 'publicly accountable'

Source: IFRS Foundation jurisdiction profiles covering 150 jurisdictions

- 85 require or permit use of the IFRS for SMEs: Anguilla, Antigua and Barbuda, Argentina, Armenia, Azerbaijan, Bahamas, Bahrain, Bangladesh, Barbados, Belize, Bermuda, Bhutan, Bosnia and Herzegovina, Botswana, Brazil, Cambodia, Cayman Islands, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Fiji, Gambia, **Georgia**, Ghana, Grenada, Guatemala, Guyana, Honduras, Hong Kong, Kazakhstan, Iraq, Ireland, Israel, Jamaica, Jordan, Kenya, Kosovo, Lesotho, Liberia, Macedonia, Madagascar, Malawi, Malaysia, Maldives, Mauritius, Montserrat, Myanmar, Namibia, Nicaragua, Nigeria, Pakistan, Palestine, Panama, Paraguay, Peru, Philippines, Qatar, Rwanda, Saint Lucia, Saudi Arabia, Serbia, Sierra Leone, Singapore, South Africa, Sri Lanka, St Kitts and Nevis, St Vincent and the Grenadines, Suriname, Swaziland, Switzerland, Tanzania, Trinidad & Tobago, Uganda, Ukraine, United Arab Emirates, United Kingdom, Uruguay, Venezuela, Yemen, Zambia, and Zimbabwe.
- 11 future use of the IFRS for SMEs is currently under consideration
- 54 neither use nor considering use of the IFRS for SMEs

See <http://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/>

Georgia IFRS for SMEs ToT workshop overview

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- Objective: train Georgian trainers to train others in Georgia to implement the IFRS for SMEs
- When:
 - 8 to 12 October 2018 (English language)
 - Later in 2018 (Georgian language)
- Focus: develop capacity to make the judgements necessary to apply the IFRS for SMEs
- How: small expert led groups using case studies set in the Georgian context to simulate judgements Georgian SMEs are likely to have to make

Georgia IFRS for SMEs ToT workshop stakeholders

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- Client: SARAS
- Funding
 - USAID
 - The World Bank
- Baseline training material contributed by the IFRS Foundation
- Executing: Michael Wells and SaavY Consulting
- Beneficiaries
 - Georgian trainers: direct Georgia specific training
 - Georgian SMEs: downstream Georgia specific training
 - ultimately the Georgian economy: through SMEs better access to debt financing and equity financing

Georgia IFRS for SMEs ToT workshop

the ToT workshop programme

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Day 1	Day 2	Day 3	Day 4	Day 5
Purpose, structure, scope and use of the IFRS for SMEs	Principles of presentation and disclosure	Fair value measurement	Financial instruments	Business combinations, consolidations & separate FS
Overview of the requirements: summary of each section	Judgement case studies	Judgement case studies	Judgement case studies	Judgement case studies
Concepts underlying the IFRS for SMEs	Cross-cutting measurement issues	Impairment of non-financial assets	Non-financial liabilities	Financial performance
Judgement case studies	Judgement case studies	Judgement case studies	Judgement case studies	Transition to the IFRS for SMEs

Similar IFRS for SMEs ToT workshops I have facilitated in other countries

Africa and ME	Americas	Asia	Europe and Australasia
Nigeria	Barbados	Uzbekistan	Kosovo
UAE (x2)	Eastern Caribbean	Malaysia (x2)	Papua New Guinea
Cameroon	Argentina	Armenia	Turkey
Kenya	Brazil	Sri Lanka	Bosnia and Herzegovina
Tanzania	Panama	Mongolia	
The Gambia		Bangladesh	
Ethiopia		Kazakhstan (x2)	
		Belarus	
		India	
		Singapore	



Thank You

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Questions?



Any comments?